



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 618** HLS 09RS 259
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 19, 2009	2:29 PM	Author: GREENE
Dept./Agy.: Revenue		
Subject: Reduces Corporate Franchise Tax		Analyst: Greg Albrecht

TAX/CORP FRANCHISE EG1 -\$3,073,000 GF RV See Note Page 1 of 1
Exempts the first \$300,000 of taxable capital from corporate franchise taxation and eliminates the minimum amount of the tax

Current law imposes a corporate franchise tax on taxable capital at the following rates: a \$10 minimum tax, \$1.50 per \$1,000 of the first \$300,000 of taxable capital, and \$3.00 per \$1,000 of taxable capital above \$300,000 of taxable capital.

Proposed law requires an initial \$10 tax but eliminates the annual \$10 minimum franchise tax, and phases out the tax on firms with up to \$150,000 of taxable capital over a three year period beginning with tax year 2011. The tax on these firms would be \$1.00 per \$1,000 of taxable capital in in 2011, 50¢ per \$1,000 of taxable capital in 2012, and no tax in 2013 and beyond.

Effective for all taxable period beginning on or after January 1, 2010.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$373,000)	(\$1,286,000)	(\$2,199,000)	(\$3,073,000)	(\$3,073,000)	(\$10,004,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$373,000)	(\$1,286,000)	(\$2,199,000)	(\$3,073,000)	(\$3,073,000)	(\$10,004,000)

EXPENDITURE EXPLANATION

The Department of Revenue will incur costs associated with modifying the tax processing system, tax forms, and notifying taxpayers and handling inquiries. These costs can amount to several thousand dollars when a tax change is first implemented.

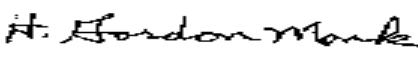
REVENUE EXPLANATION

The Department of Revenue’s latest franchise tax data (for franchise tax years ending 12/31/08) indicates that the \$10 minimum tax totaled \$373,000 paid by 37,341 taxpayers. This amount would be lost annually, with a small offset each year from new corporations filing their initial franchise tax return and paying the \$10 minimum tax that one time.

The bill phases out the tax on firms with taxable capital up to \$150,000 of taxable capital evenly over three years. The Department reports the aggregate tax from taxpayers currently having taxable capital up to \$150,000 is approximately \$2.7 million (almost 67,000 taxpayers). Thus, total revenue losses in FY11 would be \$913,000, in FY12 \$1.826 million and, in FY13 and beyond \$2.7 million per year.

The combined effects of the loss of the annual minimum tax collected and the phase out of tax from firms with taxable capital up to \$150,000 is displayed in the table above.

The franchise tax is paid at the beginning of its tax year. Thus, the first tax reduction would be reflected on returns filed in the spring of 2011 for the 2011 franchise tax year.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer